We Claim:

1. A method for allocating assets of a portfolio, which comprises the steps of:

investing a first portion of the assets in a first investment pool at an assumed average first rate of return;

investing a second portion of the assets in a second investment pool at an assumed average second rate of return being greater than the assumed average first rate of return;

investing a third portion of the assets in a third investment pool at an assumed average third rate of return being greater than the assumed average second rate of return; and

converting assets of the second investment pool into a fourth investment pool having the assumed average first rate of return when the first investment pool is exhausted.

2. The method according to claim 1, which further comprises distributing assets, being a combination of

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income and return of principle, from the first investment pool before distributing assets from any other investment pool.

3. The method according to claim 2, which further comprises distributing the assets from the first investment pool on a weekly, monthly or annual basis until the first investment pool is completely exhausted from the distributions of income and return of principle.

4. The method according to claim 2, which further comprises:

after the assets of the second investment pool have been converted to the fourth investment pool having lower risks, distributing assets from the fourth investment pool when the assets of the first investment pool are completely exhausted due to the distributions of income and return of principle.

5. The method according to claim 4, which further comprises:

bifurcating assets of the third investment pool into a fifth investment pool having the assumed average first rate of return and a sixth investment pool having the assumed average second rate of return when the fourth investment pool is completely exhausted due to the distributions of income and return of principle; and

distributing assets from the fifth investment pool until the fifth investment pool is exhausted due to the distributions of income and return of principle.

6. The method according to claim 5, which further comprises:

converting assets of the sixth investment pool into a seventh investment pool, having the assumed average first rate of return, when the fifth investment pool is exhausted due to the distributions of income and return of principle; and

distributing assets from the seventh investment pool until the seventh investment pool is exhausted due to distributions of income and return of principle.

7. The method according to claim 1, which further comprises:

setting a size of the first portion, initially held in the first investment pool, to be large enough to handle anticipated distributions of short-term cash flow needs for at least three years.

8. The method according to claim 1, which further comprises:

designating an annual amount of funds needed to be withdrawn per year; and

setting a size of the first portion initially held in the first investment pool to be at least three times the annual amount.

9. The method according to claim 8, which further comprises:

setting a size of the second portion to be initially held in the second investment pool to be at least three times the annual amount; and

putting all remaining assets in the third investment pool.

10. The method according to claim 5, which further comprises:

setting a size of the fifth investment pool to be at least three times an annual amount to be withdrawn over a course of a year; and

putting all remaining assets of the third investment pool into the sixth investment pool.

11. A method for allocating assets of a portfolio, which comprises the steps of:

investing the assets in a multiplicity of investment pools each having different assumed average rates of return and each having greater and greater time horizons;

designating a first investment pool of the investment pools to have an assumed average first rate of return being a lowest rate of return of all the investment pools and from which distributions are first withdrawn from, as needed, before withdrawing funds from any of the other investment pools; and

converting at least part of the assets of a second investment pool having an assumed average second rate of return being a next lowest rate of return into a new investment pool when the first investment pool is exhausted due to distributions, the assets of the new investment pool being invested at a same assumed average rate of return as the first investment pool and being available for distribution.

12. The method according to claim 11, which further comprises designating the distributions to be a combination of income and return of principle.

13. A method for allocating assets of a portfolio, which comprises the steps of:

investing a first portion of the assets in a first

investment pool at an assumed average first rate of

return;

investing a second portion of the assets in a second

investment pool at an assumed average second rate of

return being greater than the assumed average first rate

of return;

investing a third portion of the assets in a third

investment pool at an assumed average third rate of

return being greater than the assumed average second rate

of return;

investing a fourth portion of the assets in a fourth

investment pool at an assumed average fourth rate of

return being greater than the assumed average third rate

of return;

investing a fifth portion of the assets in a fifth

investment pool at an assumed average fifth rate of

return being greater than the assumed average fourth rate of return;

investing a sixth portion of the assets in a sixth investment pool at an assumed average sixth rate of return being greater than the assumed average fifth rate of return; and

designating the first investment pool to be a pool from which assets may be distributed from until the first investment pool is exhausted.

14. The method according to claim 13, which further comprises:

converting assets of the second investment pool into a seventh investment pool having the assumed average first rate of return when the first investment pool is exhausted due to distributions; and

distributing the assets from the seventh investment pool when the assets in the first investment pool are exhausted.

15. The method according to claim 14, which further comprises:

bifurcating assets of the third investment pool into an eighth investment pool having the assumed average first rate of return and a ninth investment pool having the assumed average second rate of return when the seventh investment pool is exhausted; and

distributing the assets from the eighth investment pool as needed.

16. The method according to claim 15, which further comprises:

converting assets of the ninth investment pool into a tenth investment pool having the assumed average first rate of return when the eighth investment pool is exhausted; and

distributing the assets from the tenth investment pool as needed.

17. The method according to claim 16, which further comprises:

bifurcating assets of the fourth investment pool into an eleventh investment pool having the assumed average first rate of return and a twelfth investment pool having the assumed average second rate of return when the tenth investment pool is exhausted; and

distributing the assets from the eleventh investment pool as needed.

18. The method according to claim 17, which further comprises:

converting the assets of the twelfth investment pool into a thirteenth investment pool having the assumed average first rate of return when the eleventh investment pool is exhausted; and

distributing the assets from the thirteenth investment pool as needed.

19. The method according to claim 18, which further comprises:

converting the assets of the fifth investment pool into three new investment pools, including a fourteenth investment pool having the assumed average first rate of return, a fifteenth investment pool having the assumed average second rate of return, and a sixteenth investment pool having the assumed average third rate of return, when the thirteenth investment pool is exhausted; and

distributing the assets from the fourteenth investment pool as needed.

20. The method according to claim 19, which further comprises:

converting assets of the fifteenth investment pool into a seventeenth investment pool having the assumed average first rate of return when the fourteenth investment pool is exhausted; and

distributing the assets from the seventeenth investment pool as needed.

21. The method according to claim 20, which further comprises:

converting the assets of the sixteenth investment pool into an eighteenth investment pool having the assumed average first rate of return when the seventeenth investment pool is exhausted; and

distributing assets from the eighteenth investment pool as needed.

22. The method according to claim 13, which further comprises distributing the assets only from the first investment pool until the first investment pool is exhausted.

23. The method according to claim 13, which further comprises designating the distributions to be a combination of income and return of principle.

24. The method according to claim 13, which further comprises distributing the assets weekly, monthly, yearly, or as desired.

25. The method according to claim 13, which further comprises periodically reviewing a value of each of the investment pools and rebalancing values of all the investment pools as needed.

26. The method according to claim 13, which further comprises investing the assets in each subsequent investment pool for a longer time period than a previous investment pool where the assets of the sixth investment pools are invested for a longest time period and the assets of the first investment pool are invested for the shortest period of time.

27. The method according to claim 1, which further comprises investing the assets in each subsequent investment pool for a longer time period than a previous investment pool where the assets of the third investment pools are invested for a longest time period and the

assets of the first investment pool are invested for the shortest period of time.